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**Swedbank Pulls out of Aid Programme**

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Swedbank has withdrawn from the Swedish government’s bank support programme in a sign of recovery from heavy losses in the crisis-hit Baltic countries.

The Stockholm-based lender was the main beneficiary of government guarantees offered to help banks secure funding after interbank lending seized during the financial crisis.

Swedbank’s withdrawal from the scheme will increase confidence that the Swedish banking sector has weathered the storm after months of mounting bad loans in Latvia, Lithuania and Estonia.
The bank was the worst hit of several Nordic lenders with heavy exposure to the Baltic states, which suffered the deepest recessions in the European Union last year after a long period of credit-fuelled growth.

Swedbank received 90 per cent of the loan guarantees provided by the Swedish government since the scheme was set up in October 2008 but has not used the facility since last July.

It was the only big bank still signed up to the scheme, which is due to end in June, after SEB pulled out last October.

Michael Wolf, Swedbank chief executive, said the bank no longer needed government help to secure funding after strengthening its balance sheet with a $2.1bn rights issue last summer – its second in less than a year.

In addition to increased liquidity, Swedbank has also been helped by signs of improvement in the Baltic economies, with Moody’s, the credit rating agency, last week upgrading its outlook for the trio from negative to stable.

About 15 per cent of Swedbank’s lending is in the Baltic states, making it the biggest bank in the region.

The bank lost SKr9.5bn in 2009 as defaults soared but it expects to return to profit this year as the Swedish economy recovers from recession.
Even after leaving the guarantee scheme, Swedbank will continue to face costly repayments of its government-backed loans, which involve harsher terms than those secured in the market. But Mr Wolf said the bank intended to buy back the longest dated debt if market conditions allowed.

"To achieve independent funding was one of the main goals behind Swedbank’s rights issue in August 2009,” said Mr Wolf. "Leaving the state guarantee program is one more step in this direction.”
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